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October 29, 2010

By RESS and Courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P. O. Box 2319
2300 Yonge Street
Toronto, Ontario
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Dear Ms. Walli:

**Re: Initiative to Develop Electricity Distribution Reliability Standards
Board File No. EB-2010-0249**

This submission is filed on behalf of Enersource Hydro Mississauga Inc. ("Enersource") in response to the October 7, 2010 letter (the "October 7th Letter") from the Ontario Energy Board (the "Board") on the above-captioned subject. We enclose three copies of this submission and have filed it electronically through the Board's web portal.

Enersource's comments follow in the same format as Attachment A of the Board's October 7th Letter. Each question posed by the Board is presented first and then followed by Enersource's response.

Thank you for the opportunity to comment on these issues. If you have any questions or require further clarification on any of these responses, please do not hesitate to contact the undersigned.

Sincerely,

Original signed by

Gia M. DeJulio
Director, Regulatory Affairs
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Initiative to Develop Electricity Distribution Reliability Standards
Board File No. EB-2010-0249
Responses of Enersource Hydro Mississauga Inc.

Enersource would like to make the following overarching points:

- The province's distributors generally can be divided into two classes: urban and rural; the Board has sufficient historical reliability data to codify standards within these two divides, and should measure system reliability based on, among other things, relative performance within each class;
- Reliability standards should be determined under the same principles of the Board's policy with respect to rate setting, which requires distributors to aim for the goals of ongoing cost effectiveness and economic efficiency. Also, in light of the Board's letter dated October 27, 2010 regarding a renewed regulatory framework for electricity (the "Renewed Regulatory Framework Letter"), appropriate standards should be set for performance and efficiency, and distributors who exceed these standards should be rewarded; and
- There is a sobering reality that for most distributors, depreciation expense reduction under IFRS will change the landscape for all distributors, and is expected to reduce rates and cash flow. This will have consequences on a distributor's ability to maintain or improve its system reliability through capital expenditures.

Issues for Discussion

Setting Reliability Requirements

1. *What improvements could be made to the current system reliability regulatory regime in Ontario?*

Response:

The existing regulatory regime for system reliability in Ontario does not need to be completely abandoned for the purpose of codifying a new regime.

The OEB-commissioned customer survey by Pollara indicates that customers are generally satisfied with existing reliability performance levels and are generally neither willing to pay more for improved reliability nor pay less for diminished reliability. This survey also indicates that the customer's main focus is on

electricity "costs" and it seems reasonable that customers would not be receptive to added costs to pay for additional regulatory requirements for system reliability.

However, certain changes could be made to the existing indicators and reporting. For example:

- Targets in the future could be based on a five-year standard versus the current three-year standard; however, Enersource proposes that when a distributor falls outside of the five-year standard, the "outsider" distributor's reliability performance should be compared to that of all other distributors within its customer density class (i.e., urban or rural). If the outsider's reliability is equal to or better than the class average, there should be no requirement for the outsider to provide a plan for returning to the standard nor should it suffer any regulatory penalties;
- Distributors are currently required to track (but not report) interruptions by "cause code" and it would be relatively inexpensive for distributors to report these cause code statistics as part of new requirements to give greater transparency to the origin of the interruptions; however, distributors should not be held to any reliability standards at the detailed level of such cause codes; and
- More work needs to be done to better define and standardize reliability measurements so as to improve measurement consistency across all distributors.

Please also refer to the response in Question no. 9.

2. In addition to SAIDI, SAIFI and CAIDI, what other system reliability measures could be used by Ontario distributors to more accurately monitor system reliability performance?

Response:

In alignment with the Renewed Regulatory Framework Letter, which refers to a focus on long-term outcomes that ensure that the Province's electricity system provides value for money for consumers, there should be a continued focus on measures of "outputs" such as SAIDI and SAIFI. CAIDI is simply a ratio of the two measures, so is unnecessarily redundant as a third measure.

Every outage should be recorded, and thus, MAIFI (Momentary Average Interruption Frequency Index) should also be used by distributors to measure system reliability, since every outage can be recorded under either SAIFI or MAIFI. The use of MAIFI will help to push standards within Ontario higher, reflecting the Board's principles of cost effectiveness and economic efficiency.

As stated above, distributors could be divided into one of the two customer density classes, either rural or urban. In particular, urban distributors should be able to categorize all outages under either SAIFI or MAIFI, and record trends.

However, Enersource is not recommending that MAIFI measures should be used to penalize distributors. The data should be used to keep better track of outages, spot trends, and help distributors to improve their performance.

3. On what basis should a reliability requirement be established?

Response:

As stated above in the response to Question no. 2, there should be a continued focus on measures of outputs including SAIDI, SAIFI and MAIFI, which are measures of outage duration and frequency.

As also stated above in the response to Question no. 1, Enersource supports the use of a five-year standard as a reliability requirement, augmented by the two class system averages for urban and rural distributors. If a distributor fails to meet the standard and is performing below the average for its class, external factors such as loss of supply, scheduled work, and extreme weather, should be taken into account.

4. Some jurisdictions have restoration standards that apply during major events. Would establishing such restoration standards for Ontario distributors be appropriate and effective?

Response:

As indicated by the PEG jurisdictional survey, restoration standards are typically used when a distributor excludes major events from its reported reliability statistics. Since these events would not be captured by the SAIDI, SAIFI or MAIFI statistics, it would be useful to have some measure of performance in these cases, and restoration time is the common measure.

However, in Ontario distributors do not exclude major events from their statistics; thus, major events are included in their SAIDI, SAIFI and CAIDI measures. Further, restoration time is already included as part of SAIDI and CAIDI statistics.

Also, it would be very difficult to set restoration standards for the many different types of distributors and different types of major events which they might experience. Rather than excluding major events in distributor reporting, Enersource suggests it would be more useful and informative to provide such

interruption statistics by cause code, as indicated in the response to Question no. 1.

5. *Board audits have shown that the length of an outage is highly dependant on how quickly crews can arrive at the scene of the outage. The actual time to repair the system often comprises only a small portion of the length of the outage. Would establishing a standard related to crew response times be appropriate and effective?*

Response:

No. Response time is currently reflected in SAIDI (and, by definition, CAIDI) statistics. It would be redundant to also have a separate statistic for response time. In addition, response time varies greatly depending on the customer density of the distributor's system, and any such target would have to be distributor-specific. For some distributors, partial power can be restored remotely (by sectionalizing distribution lines via remote-controlled switches) before the response crews can arrive at the scene, so the response time standard would be difficult to compare between distributors.

6. *Surveys indicate that 82% of residential and 69% of business customers do not call in to report an outage. However, distributors' responses indicate that they still rely heavily on customer calls to know about an outage. As part of a program to improve reliability results, should distributors consider ways to improve or encourage customer reporting of outages? What other steps could be taken?*

Response:

While distributors do rely heavily on customer calls to identify outages, just one call is usually sufficient. There is no need to have the same interruption reported several times over. In addition, excessive calls can cause overloading of a distributor's phone system, which can result in customers feeling dissatisfied if they cannot get through. However, customer communication during interruptions is important. This can be achieved by recording automated messages in response to incoming phone calls, outbound recorded phone calls, news releases, and website posting. The cause (other than forced or planned) is not usually available until the power is restored.

7. *Surveys also indicate that improving distributor communication to customers during an outage, improves a customer's satisfaction and/or tolerance of an outage. Should the Board consider instituting requirements relating to improved communication? (For example, a distributor may be required to be*

Response:

Practically, it is very difficult to communicate directly with customers during a power outage. In some cases it is not possible to estimate the restoration time within one hour of the interruption commencing particularly for major events, and the restoration time may vary for different areas of the outage, especially if it is restored in stages. Providing inaccurate or misleading information to customers must be avoided.

However, Enersource (like most other distributors) strives to provide customers with the best information available, and thus notifies its crews and call centres of conservative restoration time estimates. Distributors should be encouraged but not required to provide such conservative estimates.

8. What other issues should the OEB consider when developing formal system reliability requirements?

Response:

Currently, SAIDI, SAIFI and MAIFI are not measured consistently across all distributors in Ontario. More work needs to be done in order to accurately define the measurement of these statistics, as well as the interruption cause codes. Provision of sample calculations of these statistics would be useful.

Enersource reiterates that cause code level of detail should not be used to penalize a distributor for poor reliability, but merely for consideration in how to improve performance.

Setting Performance Targets

9. What types of approaches should be considered for setting a performance target for reliability metrics?

Response:

The setting of performance standards must be governed by the same overarching principles that govern rate-setting. Reliability is one of the key performance indicators for all utilities and as such, the distributors' performance on reliability should be moved towards a robust standard or set of standards. At the same time, it must be simple, practical and fair.

In keeping with these principles, Enersource proposes that the setting of reliability performance standards should:

- Consider the variability in the circumstances of distributors by classifying distributors by customer density factors and developing reliability standards targets that are different for urban and rural distributors;
- Universally apply the set standard for each distributor classification to all distributors in the class;
- Use only measurable and well-understood standards such as SAIDI, SAIFI and MAIFI;
- Track the outage information by the accepted cause codes and use all statistics, even those for extreme events, for reporting;
- Identify major events using a universally accepted method (such as the 2.5 Beta methodology in IEEE Standard 1366) to help explain a failed performance;
- Incent and reward good performance, including economic efficiency and cost effectiveness; and
- Impose penalties only if the failed performance is not sufficiently mitigated.

10. Should the Board establish a province-wide performance target for each measure or individual targets for each distributor?

Response:

The Board should establish a province-wide set of performance targets for each class of distributors. This is not unlike the Board's approach to incentive rate making, whereby different productivity factors and stretch factors are applied to different classes of distributors. For reliability standards, the classes can be determined by factors such as customer density, size of distributor, diversity of geography, or weather. Enersource believes that customer density is the best factor to use in establishing the classes as it is measurable and is likely the simplest determinant of the challenges of distributors in preventing or responding to outages and the operational capabilities required to meet those challenges. As stated above, Enersource proposes that distributors be classified into either urban or rural categories for which unique sets of performance targets will be set.

11. Should different targets be set for different classes of customers? (For example, should a higher target or different target be in place for large users vs. residential customers?)

Response:

No. The size of customers is not a sensible consideration in establishing performance targets as customers are not supplied power operationally by size. Customers of all sizes can be supplied by a single feeder.

Also, setting different targets for different classes of customers assumes that it is possible to measure performance for each of these classes. In the vast majority of cases, distribution feeders and circuits include a mix of residential, commercial, industrial and large use customers. Considerable work would be required to integrate customer information systems with operating systems to identify which types of individual customers are affected during an interruption. This may be more practical to implement in the future as smart meter data is further developed to provide added operational information for individual customers.

In addition, there are issues of customer fairness and controversy around setting different performance targets for different classes of customers.

Normalizing Results

12. What approaches should distributors use to normalize results for force majeure and other major events?

Response:

It is important that normalization of results does not undermine the purpose for the establishment of the standards and then result in rendering those standards ineffective. To ensure that this does not happen, all outage information, even those for extreme events, must be reported by the accepted cause codes. With this foundation in place, major events can then be tracked using a universally accepted method (such as the 2.5 Beta methodology in IEEE Standard 1366) to help explain a failed performance. Theoretically, utilizing the percentage of customers affected is another way of identifying major events, but is very much inferior to the use of the 2.5 Beta methodology.

13. Would the IEEE Standard 1366 be the most effective way to recognize the impact that force majeure or major events have on system reliability performance?

Response:

Yes, the IEEE Standard 1366 appears to be a well-accepted and widespread mechanism for recognizing major events.

14. If not the IEEE Standard, what other approach should be considered as a way to recognize the impact that force majeure or major events have on system reliability performance?

Response:

Please refer to the response in Question no. 12 above.

15. To what degree will smart metering data impact the ability to monitor reliability performance?

Response:

Smart meter data may have a profound impact on the ability to monitor reliability performance. However, costs to access and process the data into useful reliability information has the potential to be tremendous. Once the information systems are developed (which may take several years), smart meter information will be able to track not only all outages, regardless of whether they are momentary or sustained, but may do so by individual customer. Remedies could easily be targeted to specific customers or groups of customers.

As was stated at the OEB Stakeholder conference, we are on the cusp of a major change in the amount of information available to effectively regulate distributors' reliability levels and we should not make decisions that involve expensive changes, prematurely.